

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

CLASSIFICATION AND FEES FOR WEIGHT-AVERAGED
NONLETTER-SIZE BUSINESS REPLY MAIL, 1999

Docket No. MC99-2

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST**

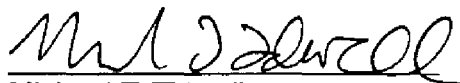
On June 3, 1999, the Presiding Officer issued an Information Request. The United States Postal Service hereby files its response to that Information Request. The request is stated verbatim and is followed by the Postal Service's response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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June 18, 1999
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REQUEST:

This case and others (MC97-1 and MC99-1) in a recent series exploring accounting options for nonletter-size Business Reply Mail (BRM) have demonstrated the Service's willingness and ability to work with mailers, such as photofinishers, on developing efficient, cost effective methods suited to their special business needs. Given the apparent success with its recent experiment, the Commission is interested in learning whether the Postal Service is actively pursuing the possibility of extending the apparent benefits of weight averaging, now available only to mailers of nonletter-size pieces, to other BRM mailers.

Therefore, the Postal Service is requested to provide an informational report on known impediments to such an extension, and the status of any work or planning that may be underway, or anticipated, related to testing or implementing weight-averaging or other cost effective methods of counting, rating and billing letter- or card-size BRM.

RESPONSE:

The standard method of accounting for nonletter-size Business Reply Mail involves a clerk manually weighing each individual piece and then calculating the postage due on it. As reflected in the current 8-cent per-piece fee charged for such accounting, this is a relatively costly and time-consuming process. Given the physical characteristics of nonletter-size Business Reply Mail and the absence of sophisticated technological options, there presently are limits on the ability of the Postal Service to improve upon the standard method of accounting for such mail. The weight averaging method has allowed the Postal Service to streamline this postage due accounting process for this non-automatable mail, particularly for large volume reply mail accounts. When properly implemented, weight averaging significantly improves customer service, reduces postal costs, permits a reduction of fees assessed to customers, and protects postal revenues.

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As reflected in the Docket No. MC97-1 testimony of Postal Service witness Leslie Schenk (USPS-T-27), the Postal Service employs a variety of methods as alternatives to the traditional, manual piece-by-piece method of accounting for Business Reply Mail letters and cards. These alternatives include end-of-run bin counts on Bar Code Sorters, accounting performed through the application of Business Reply Mail Accounting System (BRMAS) software or local "home-grown" BRMAS-type software accounting programs, the use of special counting machines and, to a lesser degree, weight averaging. See, Docket No. R97-1, USPS Library Reference H-179, Table 13.

The Postal Service's Docket No. R97-1 QBRM accounting fee proposal reflected, for purposes of that case, that the Postal Service had yet to adequately isolate the different costs associated with alternative accounting methods for BRM letters and cards. As a consequence, the current 5-cent per-piece QBRM accounting fee is based upon on an average of the costs of various methods (primarily manual piece counts), notwithstanding the intuitive notion that there may be very significant cost differences among the various accounting methods employed for reply letters and cards.

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In response to the Decisions of the Governors in Docket No. R97-1 (June 29, 1998), postal management has established two objectives. The first is to focus on improved utilization of machine- or automation-based QBRM accounting alternatives to the manual accounting method. The second is to examine whether the fixed and volume-variable costs of some alternative accounting methods can be isolated in a manner which would permit a refinement of the current "one-fee-fits-all" QBRM accounting scenario. Achievement of this second objective could allow for a de-averaging which produces a more fair and equitable alignment between the costs and fees for different types of QBRM letter/card recipients.

Given the relatively high degree of automation-compatibility of BRM letters and cards, the Postal Service is committed to more fully utilizing its capacity to perform automated or machine-based accounting, where appropriate.

Particularly with higher-volume QBRM letter and card recipients, as each separate recipient's mail is isolated, the opportunity exists -- either during mail processing or in the accounting function -- to obtain a machine count of such mail, to a greater extent than is currently being done. In certain respects, weight averaging exists as an option which is available for letters and cards only after a particular recipient's mail has been processed and massed at a postage due unit and the opportunity to obtain machine counts has passed. Thus,

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notwithstanding the success of the current experiment, the Postal Service's primary focus has not been to eliminate impediments to the extension of weight averaging to BRM letters and cards, but to improve the utilization of existing equipment and technologies which are known to be effective in accounting for such mail and to determine how to more closely align fees of these alternative methods with their costs.

The Postal Service has not determined whether weight averaging -- which has proven to work effectively at a handful of sites for a handful of nonletter-size BRM recipients -- could be rolled out effectively at the hundreds of sites where it could potentially be used for thousands of QBRM customers. There are numerous issues related to QBRM letter and card accounting by means of weight averaging, of the sort which were the subject of examination in the original phase of the nonletter-size BRM experiment, which would need to be resolved if weight averaging were to be highlighted as a basis for deaveraging the current QBRM accounting fee. The current nonletter-size BRM experiment has demonstrated the technical feasibility of weight averaging for nonletter-size BRM, but the differences between BRM letters and cards, on the one hand, and nonletter-size BRM, on the other, are sufficiently large that the Postal Service does not consider that it could automatically transfer the results and approaches proved in the current experiment to letters and cards.

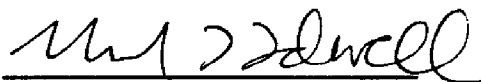
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Given available methods for counting and rating BRM letters and cards, the Postal Service will continue to focus on making the most of those methods that develop piece counts in an automated fashion. We have not explored the operational feasibility of applying weight averaging to reply letters and cards with sufficient empirical rigor to reach any conclusions. As was the case before the nonletter-size BRM weight averaging experiment was proposed, little is known at Headquarters about the method(s) in which weight averaging is being applied in the field as a part of the accounting function for BRM letters and cards. We have not ruled out extending weight averaging to BRM letters and cards. However, before going down that path, we would need to determine whether the widespread promotion of weight averaging as a means of BRM letter and card accounting would undermine the pursuit of improved utilization of existing automated processing and accounting operations which are readily available and which should be more productively employed.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing is being mailed today to all parties of record in accordance with Rule 12 of the Commission's Rules of Practice and Procedure.

A handwritten signature in black ink, appearing to read "Michael T. Tidwell", written over a horizontal line.

Michael T. Tidwell

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